

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

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|-----------------------|--|---|---------------------------------|
| Licensee | Licensee: Silam Forest Products Sdn. Bhd. 197901000492 (044754-D) Developer: Ikatan Kayangan Sdn. Bhd. 200701011265 (769269-A) | Reference # | GFSSBH 003-308 |
| Contact Person | Ramli Umar Bin Ali (Estate Manager) | Date of Report Date of close out | 13/09/2024 - |
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| | | Approved By | Dr. Kevin Grace |

Statements

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|-------------------------|-------------------|-----------------|-------------------|
| Statement of Compliance | GFS 136 LVS | | |
| Issuance Date | 17 September 2024 | Expiration Date | 16 September 2025 |

Assessment Details

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|---------------------|--|
| Assessment Dates | 09-13 September 2024 |
| Scope of Assessment | Sabah TLAS P1-4: Agroforestry Management License Agreement #: JP(SBN)01/2007(CO) |
| Species | Oil Palm (<i>Elaeis guineensis</i>) |
| Lead Assessor | Glory Linggou |
| Assessor(s) | Brandon James |
| SFD Staff | Ag. Mohd Adzrul Ag. Ahmad (DFO Beluran), Bulkiah Sherif Hassan (PPD Beluran), Markus Salutan (PPD Beluran), SH Mohd Roslie (PPD Beluran), Mohd Husin Bin Rahim (PPD Beluran), Brian Fred (PPD Beluran) |

OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 for Sabah dated November 2020 (**SFD-TLAS-002**).
- Compliance is defined when all applicable criteria are observed to be compliant. A minor Gap to any indicator does not constitute non-compliance to a criterion. A Major Gap to any applicable indicator does reflect non-compliance to a criterion. Compliance with a criterion where multiple minor gaps are identified in indicators under the criterion may reflect non-compliance to the criterion.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the agreement.

Summary Information

Overview of Licensee:

On 25/07/2007, the State Government granted Silam Forest Products Sdn. Bhd. (Silam Forest Products) a licensed area of approximately 10,550 ha at FMU 18 Bonggaya Forest Reserve (partly) under license #: JP(SBN)01/2007(CO).

With this license, Silam Forest Products is permitted to plant, establish, and harvest forest products and agroforestry crops under the principles of sustainable environmental management and conservation for economic, environmental, and social purposes. This license is valid for 60 years, starting from 25/07/2007 to 25/07/2068.

Silam Forest Products and Ikatan Kayangan Sdn. Bhd. (Ikatan Kayangan) signed the shareholders' agreement on 27/04/2007 and, the latter agreed to jointly develop the project area into a large-scale Agro-Forestry Development Project under a Joint Venture Agroforestry Program.

Land use classification:

| Land classification | 2 nd ADP Area (ha) | Current Status of Block Map as of Sep 2024 (ha) |
|--|-------------------------------|---|
| Total Concession Area | 10,550.00 | 10,448.74 |
| Production Area | 7,218.70 | 7,218.70 |
| Zone 1: Forestry Zone - NFM - Conservation (Riparian reserve & slope >20) | 3,232.37 | 2,368.71 NFM: 653.42 Riparian: 768.80 Steep terrain: 946.49 |
| Zone 2: Oil Palm Development - Oil Palm Plantation (Planted) - Swamp, Campsite, Quarry Unplantable | 7,317.63 7,218.70 98.93 | 8,080.03 Planted area: 7,539.75 Quarry: 21.68 Swampy area: 30.14 Campsite/office: 47.11 Unplantable area: 441.35 |

Current Operations:

Ikatan Kayangan only focuses on harvesting Fresh Fruit Bunch (FFB).

The oil palm planting has been completed in 2012.

A list of current coupes under harvesting.

| Coupe # | Oil Palm | Status | Area (ha) | Geo-location data |
|-----------|----------|-----------------|-----------|---|
| SDK.10/08 | Oil Palm | Sabah TLAS EUDR | 2,654.00 | NE E117°26'30" N6°12'45" NW E117°24'0" N6°12'45" SW E117°24'30" N6°10'15" SE E117°26'30" N6°10'15" |
| SDK.06/09 | Oil Palm | Sabah TLAS EUDR | 2,526.00 | NE E117°21'0" N6°12'45" NW E117°21'15" N6°11'30" SW E117°20'30" N6°10'30" SE E117°24'30" N6°10'15" |
| SDK.09/10 | Oil Palm | Sabah TLAS EUDR | 3,613.50 | NE E117°21'15" N6°11'30" NW E117°17'30" N6°11'15" SW E117°14'45" N6°6'30" SE E117°18'30" N6°6'30" |

Environmental Context:

Biological environment in the project area comprises of terrestrial habitat of jungle / secondary forest, freshwater swamp, and aquatic habitat of local rivers. The original vegetation cover within the project area is represented by three forest types, namely Mixed Dipterocarp Forest, Heath Forest, and Seasonal Freshwater Swamp Forest. However, all the natural vegetation of the project area has been severely

disturbed by repeated logging activities. Therefore, the vegetation conditions within the project site have changed into secondary vegetations of various stages. The most commonly occurring tree species belong to Dipterocarp genera of Shorea, Parashorea and Dipterocarpus. There are two protected floral species of Botu (*Caryota mitis*) and Polod (*Arenga undulatifolia*) known to exist within the project site.

The project area is generally rich in wildlife population despite of logging activities in the past and present, which may somewhat affect and alters their natural habitat. Most of the faunal species within the project site are commonly found elsewhere in Sabah. These include the amphibian species of Toad and Frog, reptile species of Lizard, Snake and Skink, bird species of Buzzard, Swiftlet, Spiderhunter, Swallow, Munia and Babbler and mammal species of Bat, Rat and Squirrel.

There are twenty-seven protected faunal species known to exist within the project site including reptile species of Monitor Lizard and Reticulated Python, bird species of Bahminy Kite, Intermediate Egret, Hornbill spp., Emerald Dove, Hill Myna, Blue-Crowned Hanging Parrot, White-Rumped Shama, Oriental Darter, Bornean Wren Babbler and Magpie Robin and mammals species of Deer spp., Long Tailed Macaque, Cat spp., Pangolin, Malay Badger, Bearded Pig and Civet spp.

In addition, there are three totally protected mammal species known to exist within and in the immediate vicinity of the project area, including Orang Utan, Clouded Leopard and Sun Bear. However, their numbers are declining due to previous logging activities and forest fragmentation.

Aquatic species known to exist within the project area include fishes, crustacean, mollusca and algae. Commonly found aquatic species include Ikan Turongou, Dumpis, Rokot, Botuon, Terbol, Udang Sungai, Ketam Sungai and Alga Hijau. None of the aquatic species are identified as protected or endangered species.

There are two known sensitive areas in the immediate vicinity of the project site, namely

- (i) Botition Protection Forest Reserve (located 6.3 km south of the project site); and
- (ii) Kuala Bongaya and Kuala Labuk Mangrove Forest Reserve (6.8 km east).

In addition, the project site is also located within an international trans-border conservation area known as Heart of Borneo (HoB).

The EIA has identified environmental issues associated with operations within the project area, such as water quality, water use, ecology, biomass disposal, traffic and transportation, fire hazard, agro-chemicals, waste disposal, socio-economics and abandonment. Mitigation measures listed in the EIA includes zoning of logging/plantation area, provision of riverine reserve, soil conservation, modifying operational practices, socio-economic considerations, flora & fauna protection, biomass management, traffic & transportation, control of fire, plantation management, waste management, abandonment, and secondary mitigation measures (road improvements, wildlife improvements, fisheries assistances).

Social Context:

Based on the EIA study, no communities are settling inside or adjacent to the licensed area. No areas subject to native customary rights were identified within the licensed area.

| Scope of Assessment |
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| <ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) with the Agro-Forestry Management License Agreement (JP(SBN)01/2007(CO)) for FMU 18 (partly). • The assessment is in accordance with the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 1 January 2024 (SFD-TLAS-006). • Site evaluation to verify and report the level of compliance by Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) and contractors to the standard in respect to each of the criteria within this report. • Compliance is defined when the auditee demonstrates that the indicators consist of none or only minor gaps against any applicable criteria of the standard. Non-compliance to the Sabah Legality Standard occurs when the auditee does not comply adequately with a criterion. |

Itinerary & Mandays: 09-13 September 2024 / FMU 18 (Partly): Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) / Beluran District

| Date | Activity | GFS Staff | Mandays |
|--------------------------------|---|----------------------------------|-----------|
| 09 September 2024 Monday | Travel to Timimbang Rainforest Lodge and overnight. | Glory Linggou Brandon James | 2 |
| 10 September 2024 Tuesday | Opening meeting at Ikatan Kayangan estate office. Field assessment to licensed boundary, workshop, scheduled waste storage, lubricant store, skid tank, genset, campsites, protected areas and silviculture areas. Document review. | Glory Linggou Brandon James | 2 |
| 11 September 2024 Wednesday | Document review at Timimbang Forestry Office. | Glory Linggou Brandon James | 2 |
| 12 September 2024 Thursday | Closing meeting at PPD Beluran office. Travel back to home base. | Glory Linggou Brandon James | 2 |
| 13 September 2024 Friday | Finalizing report. | Glory Linggou Brandon James | 2 |
| 14-15 September 2024 | Reporting/Administration: GFSSBH003-308 | Dr. Kevin Grace Glory Linggou | 2 |
| Total | | | 12 |

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 2; Observations = 0)

Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 09-13 September 2024.

Summary of status of operations by **Principle**:

Principle 1. Right to Harvest

Ikatan Kayangan demonstrated compliance with coupe permits and Agro-Forestry Development Plan (ADP). An Annual Work Plan was produced and approved by the SFD on 04/04/2024. Environmental Compliance Report (ECR) was submitted quarterly to the EPD.

September 2024: Gap 001/2024 (minor) – Checklist 1.3.2.4

Discrepancy in land use area between the 2nd ADP and block map.

Principle 2. Forest Operations

Ikatan Kayangan demonstrated compliance with workers' safety and health, licensed area security, maintenance of license boundary and protection of protected areas.

September 2024: Gap 002/2024 (minor) – Checklist 2.4.2

The COI (expired & new application) for workers is still in progress.

Principle 3. Statutory Charges

Ikatan Kayangan demonstrated compliance with the statutory charges. FFB royalty is paid and maintained.

Principle 4. Other User Rights

Not applicable - Based on the EIA study, no communities are settling inside or adjacent to the licensed area. No areas subject to native customary rights were identified within the licensed area.

Summary Results:

(Major gap = 0, Minor gap = 2, Observation = 0)

Gap raised against indicators & criteria during the September 2024 assessment.

| GAP | Type | Checklist | Status | Description |
|----------|-------|-----------|--------|---|
| 001/2024 | minor | 1.3.2.4 | New | September 2024: Discrepancy in land use area between the 2 nd ADP and block map. |
| 002/2024 | minor | 2.4.2 | New | September 2024: The COI (expired & new application) for workers is still in progress. |

Observation raised against indicators & criteria during the September 2024 assessment.

| Obs # | Checklist | Description |
|-------|-----------|-------------|
| - | - | - |

| Highlights of Close Out Visit (if applicable) | Dates |
|---|-------|
| Not applicable | - |

| Recommendations |
|---|
| <p>Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) for its designated area and is recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to close the gap(s)/observation(s) include:</p> <p>Gap 001/2024 (minor) – Checklist 1.3.2.4: Ikatan Kayangan shall revise the current detail Block map and define the actual land use based on the approved ADP.</p> <p>Gap 002/2024 (minor) - Checklist 2.4.2: Ikatan Kayangan shall renew the COI for workers 3 months before the expiry date and follow up on the COI new application.</p> <p>The next annual surveillance audit will be scheduled for September 2025.</p> |

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| End of Summary Report |
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